



中油港燃能源集團控股有限公司

CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132

2015

Interim Report



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The Report, for which the board of directors (the “Board”) of China Oil Gangran Energy Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Report misleading.

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CORPORATE INFORMATION

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Harbour City
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL PRODUCTION PLANT

Block Nos. 3, 4 and 5
Dong Feng Industrial Area
Song Gang Community
Song Gang Sub-district Baoan District
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The People's Republic of China

COMPANY'S WEBSITES

www.chinaoilgangran.com
chinaoilgangran.todayir.com

LEGAL ADVISERS

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AUDITOR

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Kowloon, Hong Kong.

STOCK CODE

8132

BOARD OF DIRECTORS

Executive Directors

Mr. Zou Donghai (*Chairman*)
Mr. Rong Changjun (*Vice Chairman*)
Mr. Zhang Xueming
Mr. Ho Chun Kit Gregory
Mr. Chan Lung Ming

Independent Non-Executive Directors

Ms. Eugenia Yang
Mr. Ng Ka Chung
Mr. Lau Sung Tat, Vincent

AUDIT COMMITTEE

Mr. Lau Sung Tat, Vincent (*Chairman*)
Ms. Eugenia Yang
Mr. Ng Ka Chung

REMUNERATION COMMITTEE

Mr. Lau Sung Tat, Vincent (*Chairman*)
Mr. Chan Lung Ming
Ms. Eugenia Yang

NOMINATION COMMITTEE

Ms. Eugenia Yang (*Chairman*)
Mr. Lau Sung Tat, Vincent
Mr. Chan Lung Ming

COMPANY SECRETARY

Miss Fok Joyce Sing Yan

COMPLIANCE OFFICER

Mr. Ho Chun Kit Gregory

AUTHORISED REPRESENTATIVES

(for the purpose of the GEM Listing Rules)

Mr. Ho Chun Kit Gregory
Miss Fok Joyce Sing Yan

THE PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER AGENT IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The turnover of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2015 (the “Interim Period”) was HK\$67 million, representing an increase of approximately 56.9% from approximately HK\$42.7 million for the comparable period of last year. Such increase in the turnover was mainly attributable to the retail of refined oil which was a newly developed business.

The Group’s loss attributable to the Company’s owners decrease to approximately HK\$43 million from HK\$88.9 million for the comparable period of last year. The main reasons for the decrease were because of (i) the significant increase in the Group’s revenue from retail of refined oil of approximately HK\$30.8 million for the six months ended 30 September 2015; and (ii) the amount of the decrease in consultancy fee by approximately HK\$16.3 million from HK\$25.2 million for the six months ended 30 September 2014 to approximately HK\$8.9 million for the six months ended 30 September 2015.

The Board does not recommend to pay dividend for the Interim Period.

Business Review

During the Interim Period, the Group continued to operate its business of manufacturing and selling of power and data cords in a steadfast manner and its major product categories included: (i) power cords and inlet sockets for household electric appliances; (ii) power and data cords for mobile phones and medical control devices. The Group also continued to operate its business in digital applications of 3 Dynamics (Asia) Limited (“3 Dynamics”); and its natural gas and clean energy business, which included a newly developed business to engage in the retail business of refined oil in the Jiangxi Province of the People’s Republic of China (the “PRC”). Despite the challenging development in the sector, the Group continues to diversify its operating risks and expand its sources of revenue and proactively seeks to capture a full spectrum of development strategies and investment opportunities.

In December 2013, the Group completed its acquisition of the entire issued share capital of 3 Dynamics, a company principally engaged in the development of digital applications (APPS), including but not limited to handheld electronic game consoles, mobile game applications and digital marketing solutions. As the gaming digital application business was still in its development stage, it has yet to contribute substantial revenue to the Group during the Interim Period.

Business Review *(Continued)*

In addition, in order to seize opportunities in the rapidly-growing natural gas market in Mainland China as well as to optimise the Group's development prospects in a strategic manner, the Group contributed capital in conjunction with two strategic collaborative partners to establish a subsidiary, Jiangxi China Oil Gangran Energy Technology Company Limited (the "JV Company"), in Mainland China for conducting the business of liquified natural gas (the "LNG"), compressed natural gas (the "CNG") and related clean energy, for which the Group acts as the controlling shareholder and holds a 51%-stake. The JV Company was formally set up in January 2014 and its registered capital of RMB100 million was fully paid up during the year ended 31 March 2015. Currently, the business of the JV Company focuses on the conversion of traditional diesel utilization to LNG utilization by vessels in the water transportation industry. Symbolising the Group's milestone in its long term development, the joint venture project enabled the Group to participate in the blooming China natural gas market. The Group will continue to broaden its development in the natural gas market in Mainland China and participate in other clean energy businesses should the opportunities arise.

Regarding the Group's geographical operation structure, which remained to be the major markets for its business, with the aggregate turnover from Hong Kong and Mainland China accounted for approximately 80% (2014: approximately 49%) of the Group's total turnover for the Interim Period. The turnover from other overseas markets, including the United States, accounted for approximately 20% (2014: approximately 51%) of the Group's total turnover for the Interim Period.

Power Cords and Inlet Sockets for Household Electric Appliances

Turnover from power cords and inlet sockets for household electric appliances was approximately HK\$6.1 million (2014: approximately HK\$12.9 million) in the Interim Period, representing a year-on-year decrease of approximately 52.7%.

The Group's power cords and inlet sockets used in household electric appliances received safety approvals and/or certificates in many countries, many of which also received eleven types of international safety standards. Although the turnover from such business experienced a downturn during the Interim Period due to fierce market competition, the Group believes that the high standard of these products can satisfy market expectation and customer needs and the business can contribute a stable source of income for the Group. The Group believes that the high standard of these products can fulfill the expectations and requirements of customers and benefit the Group's business expansion in the long run.

Business Review *(Continued)*

Power and Data Cords for Mobile Phones and Medical Control Devices

With fierce competition in the sector during the Interim Period, the Group focused on those customer groups generating high profit margins and rigorously controlled its production costs, and the Group's turnover from power and data cords for mobile phones recorded an increase of 17.8% to HK\$19.9 million (2014: approximately HK\$16.9 million) for the Interim Period.

The power and data cords for mobile phones are generally used for power charging and data transfer and are essential accessories for all mobile handsets. The enormous demand for telecommunication devices, especially in the PRC, facilitated the Group to produce power and data cords of different specifications, including high speed USB connectors and data cord products, which can support higher data transmission speeds and better audiovisual output quality. All our devices conform with the standards of mobile handset designs set by USB Implementers Forum, Inc.

During the Interim Period, the Group's turnover from power and data cords for medical control devices was approximately HK\$10 million (2014: approximately HK\$12.8 million), representing a year-on-year decrease of approximately 21.9%.

The power and data cords for medical control devices are multi-functional products which are mainly exported to a customer in the United States. The devices are then used for further assembly and are processed into final products (which include keyboard, pillow speakers, bed controls, bed cables and call cords to be sold to hospitals and clinics).

Business Review *(Continued)*

Natural Gas and Clean Energy Business

On 27 January 2014, the Group has set up and registered the JV Company. The Group has paid RMB51 million (equivalent to approximately HK\$65.8 million) to the JV Company in accordance with the terms of the JV Agreement as part of the Group's contribution to the 51% registered capital of the JV Company. The proposed business scope of the JV Company includes developing the businesses of LNG, CNG and related clean energy, including but not limited to the conversion of traditional diesel utilization to LNG utilization by vessels for water transportation ("Vessel LNG Utilization Conversion"). During the Interim Period, the natural gas and clean energy business was in a development stage and has contributed approximately HK\$30.8 million turnover to the Group. The JV Company has been set up with an office premises leased and recruited clerical staff and was ready to liaise with potential customers in the Ganjiang River area of the Jiangxi Province to provide service to vessel owners to convert traditional diesel utilization to LNG utilization by vessels.

Development of Digital Applications

In 2013, the Group acquired 3 Dynamics, a developer of mobile phone games and digital applications.

Pursuant to the sale and purchase agreement in respect of the acquisition of 3 Dynamics (the "Sale and Purchase Agreement"), Mr. Chung Wai Sum (the "Vendor") irrevocably and unconditionally warrants and guarantees to Dynamic Miracle Limited, a directly wholly-owned subsidiary of the Company (the "Purchaser") that the audited net profits after tax of the 3 Dynamics as shown in its audited financial statement for the 12 months from the date of the completion of acquisition, i.e. for the period from 11 December 2013 to 10 December 2014 (the "Relevant Period") shall not be less than HK\$42,000,000 (the "Profit Guarantee"). The Profit Guarantee is secured by 280,000,000 consideration shares ("Escrow Shares") of the Company issued to the Vendor. As certified by the auditors of the 3 Dynamics, 3 Dynamics has recorded a net loss after tax in its audited financial statement for the period from 11 December 2013 to 10 December 2014 and therefore the actual profit for the Relevant Period shall be deemed as zero pursuant to the terms of the Sale and Purchase Agreement. Hence, the Purchaser has instructed a licensed securities dealer to dispose of (the "Sale") such number of Escrow Shares appropriately sufficient to pay the Profit Guarantee at the then best price it reasonably obtained and thereafter, pay the net proceeds of the Sale to the Purchaser and release the share certificates of the remaining Escrow Shares (if any) to the Vendor. Under the terms and conditions as stipulated in the Sale and Purchase Agreement, the consideration shares would be sold in order to pay the proceeds under the Profit Guarantee. During the Interim Period, the Group has received HK\$20,000,000 from the Vendor to partially honour its Profit Guarantee obligations. As at the date of this interim report, HK\$22,000,000 is still outstanding from the Vendor.

Business Review *(Continued)*

Development of Digital Applications *(Continued)*

Details of the treatment of the pledged consideration shares was disclosed in the Company's announcement dated 13 May 2015.

Refined Oil Retail Business

In order to expand the Group's principal business, the Group has diversified its business development by engaging in the refined oil retail business.

The subsidiary of the Group, namely Jiangxi China Oil Gangran Energy Technology Company Limited (江西中油港燃能源科技有限責任公司) has entered into an agreement with Jiangxi Jiujiang Sales Branch Company Of PetroChina Company Limited (中國石油天然氣股份有限公司江西九江銷售分公司) in relation to the leasing of six bunker barges 加油船, each with a loading capacity of 1,800 tonnes and a total loading capacity of 10,800 tonnes. The Group operate such leased bunker barges in the Yangtze River, Gan River and Poyang Lake basins, the People's Republic of China (the "PRC"), to develop refined oil sales business in the PRC.

The Group has successfully obtained Refined Oil Retail Licence (成品油零售經營批准證書) from the Business Bureau of Jiangxi Province of the PRC which enables the Group to be engaged in the retail business of refined oil. The Board is of the view that the development of refined oil business can help to strengthen the Group's position in the energy industry and enhance the future earnings of the Group. As such, the aforesaid lease and future refined oil sales business is in the interests of the Company and its shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries by the Directors, Jiangxi Jiujiang Sales Branch Company of PetroChina Company Limited* (中國石油天然氣股份有限公司江西九江銷售分公司) and its ultimate beneficial owners are third parties independent of and not connected with the Company and connected persons (as defined in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited).

Details of the refined oil retail business development was set out in the Company's announcement dated 26 June 2015.

* For identification purpose only

Business Review *(Continued)*

Resignation of Non-Executive Director

Mr. Tse Yee Hin, Tony (“Mr. Tse”) has tendered his resignation as a Non-Executive Director of the Company with effect from 30 April 2015 due to his other business engagements which require more of his time and dedication.

Mr. Tse has confirmed that he has no disagreement with the Board and there is no other matter that needs to be brought to the attention of the shareholders of the Company or The Stock Exchange of Hong Kong Limited in relation to his resignation.

Outlook

During the Interim Period under review, despite the fierce competition in the sector of power and data cord business in which the Group operated, it consistently conducted its business in a steadfast manner, cautiously reviewed its business operations and, by seizing the opportune moment, continued to expand its customer groups.

During the Interim Period, China’s market of mobile phone games continued to boom despite its nascent stage. The mobile gaming segment continues to grow fast and has become the second largest segment within the sector. The revenue growth of mobile gaming on intelligent device was the major driving force. As smartphones are gaining further popularity in the country, it can be foreseen that the development of mobile phone games will continue to grow, and the Board is optimistic about the Chinese market of mobile phone games which shows tremendous potential. 3 Dynamics, the Group’s wholly-owned subsidiary, has vast experiences in developing games, owns a vast array of cartoon character resources and is supported by its strong distributor partners. Hence, the Board believes that the Group’s future profitability will improve through 3 Dynamic’s.

On the other hand, the Group has been proactively developing its business of vessel LNG utilization conversion. Not only is this in line with China’s strategic needs in such areas as conserving energy, reducing emissions and promoting the application of natural gas, but the relevant patented conversion technology can also bring positive economic benefits to the vessel owners and users. Also, with the implementation of various measures for promoting natural gas consumption and the application of natural gas in the water transportation section, including the Guiding Opinions on Accelerating the LNG Utilization in Waterborne Industry (《關於加快推進水運行業應用液化天然氣(LNG)的指導意見》) issued by the Ministry of Transport in 2013, and such notices as the Administrative Measures of Standardized Subsidy Fund on Inland Canal Vessel (《內河船型標準化補貼資金管理辦法》) jointly issued by the Ministry of Finance and the Ministry of Transport in 2014, the Group’s development is in line with the Chinese government’s policies. The Group will continue to expand its scope of business in the field of clean energy, strengthening its position in the energy sector and increasing its business income.

Outlook *(Continued)*

By expanding the Group's business to the retails of refined oil, a subsidiary of the Company, namely Jiangxi China Oil Gangran Energy Technology Company Limited (江西中油港燃能源科技有限責任公司), has entered into an agreement with Jiangxi Jiujiang Sales Branch Company of PetroChina Company Limited (中國石油天然氣股份有限公司江西九江銷售分公司) in relation to the leasing of six bunker barges. Moreover, the Group has obtained Refined Oil Retail Licence (成品油零售經營批准證書) from the Business Bureau of Jiangxi Province of the PRC which enables the Group to be engaged in the retail business of refined oil.

Potential Acquisition Activities

During the Interim Period, the Group continued to seek for other investment opportunities so as to achieve the aims of business diversification, to expand the source of income and optimize the returns to its shareholders.

The Group entered into a memorandum of understanding ("MOU") on 10 January 2014 (as supplemented by four supplemental memorandum of understanding dated 9 October 2014, 20 January 2015, 9 April 2015 and 31 July 2015 respectively (collectively, the "Supplemental MOUs")) with an independent third party, Mr. Wu Zhi Qiang (the "Seller") in relation to a potential acquisition of Jian Long Da Holdings Limited (the "Jian Long Da") to engage in the construction and operation of centralized heating facilities in Wangdu county of Hebei Province. Pursuant to the MOU, the Seller shall not (and shall procure his agents and adviser not to) during the period of 9 months (the "Exclusivity Period") from the date of the MOU directly or indirectly negotiate with any third party on any sale or transfer of any shares or material assets of Jian Long Da. The Exclusivity Period was extended for a further 12 months by the Supplemental MOUs.

Details of the MOU and the Supplemental MOUs are set out in the Company's announcements dated 10 January 2014, 9 October 2014, 20 January 2015, 9 April 2015 and 31 July 2015 respectively. During the Interim Period, the Group and the Vendor has reached a preliminary understanding to refund the full deposit of HK\$15,000,000 and to enter into a termination agreement to terminate the MOU and the Supplemental MOUs. Upon the termination of the MOU and the Supplemental MOUs, the parties will have no further obligations to proceed with the proposed acquisition.

Besides, the Group entered into another memorandum of understanding on 7 August 2014 (as supplemented by two supplemental memorandum of understanding dated 20 October 2014 and 12 February 2015 respectively) in relation to investment in the controlling stake of a target company (the "Second Target Company") engaging in the business of distribution of glass products. Pursuant to the proposed investment, the Second Target Company established a PRC subsidiary, which has entered into an exclusive distribution agreement with Luoyang Longxin Glass Company Limited to distribute its products for 10 years.

Potential Acquisition Activities *(Continued)*

Upon satisfactory due diligence results and professional valuation of the Second Target Company being not less than RMB80,000,000 on acceptable assumptions, the Company would acquire not less than 51% shareholding interests in the Second Target Company. Deposits in the aggregate amount of HK\$32 million has been paid to a shareholder of the Second Target Company as earnest money and will be applied as partial payment of the consideration for the proposed investment when the formal agreement is signed. However, if the deal falls apart, the whole deposit shall be returned to the Company.

The Company has completed its due diligence in relation to the proposed investment and is in negotiation on the commercial terms with the Second Target Company. No binding agreements has been signed by the parties as at the date of this report.

The Board is of the view that the above potential acquisition represent for the Group an opportunity to participate in China's glass products distribution, and are expected to enhance the Group's investment portfolio and future earnings.

Increase in Authorized Share Capital, Amendments to the Memorandum and Articles of Association and Adoption of the New Memorandum and Articles of Association

In order to provide the Company with greater flexibility for future development, on 10 September 2015 the Board proposed to increase the authorised share capital of the Company from HK\$1,000,000 divided into 10,000,000,000 Shares of HK\$0.0001 each (the "Shares") to HK\$8,000,000 divided into 80,000,000,000 Shares by the creation of an additional 70,000,000,000 Shares ("Increase in Authorised Share Capital"). Such new Shares shall rank *pari passu* in all respects with the original Shares upon issuance. The Increase in Authorised Share Capital was approved by the shareholders of the Company (the "Shareholders") by way of an ordinary resolution at the Extraordinary General Meeting of the Company (the "EGM") held on 22 October 2015.

On 10 September 2015 the Board also proposed to amend the memorandum and articles of association of the Company ("Amendments to the Memorandum and Articles of Association") and to adopt the new memorandum and articles of association of the Company ("Adoption of the New Memorandum and Articles of Association"), which was approved by the Shareholders by way of special resolutions at the EGM, for the purpose of (i) reflecting the Increase in Authorised Share Capital; and (ii) conforming to the latest Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and house-keeping purpose.

Details of Proposed Increase in Authorised Share Capital, Amendments to the Memorandum and Articles of Association and Adoption of the New Memorandum and Articles of Association are set out in the Company's announcements and circulars dated 10 September 2015, 25 September 2015, 22 October 2015 and 27 October 2015 respectively.

Fundraising Activities

The Group's Board formulated strategic plans for business expansion, including but not limited to entering the highly promising natural gas market in Mainland China and acquiring a developer of mobile phone games and digital applications. In order to meet its needs of business development, the Group successfully completed some fundraising activities during the Interim Period.

Reference is made to the announcements dated 20 December 2013, 6 January 2014 and 27 January 2014 respectively in relation to the placing of the convertible bonds of an aggregate principal amount of HK\$55,500,000 with the maturity date of 23 July 2015 (the "Convertible Bonds 1"). Reference is also made to the Company's announcements dated 19 February 2014 and 20 March 2014 respectively in relation to the placing of the convertible bonds of an aggregate principal amount of HK\$15,600,000 with the maturity date of 19 September 2015 (the "Convertible Bonds 2").

Pursuant to the respective terms and conditions of the Convertible Bonds 1 and Convertible Bonds 2, if, at any time during the relevant conversion period, the average closing price per share for 10 consecutive trading days exceeds (but does not include) HK\$3.20, which is 35% more than the conversion price of HK\$2.37 per share (the "Automatic Conversion Price"), the holders of the Convertible Bonds 1 and the Convertible Bonds 2 shall be deemed to have exercised their rights to convert all outstanding convertible bonds and such convertible bonds will be automatically converted into conversion shares at the conversion price of HK\$2.37 per conversion shares which is subject to adjustment in accordance with the respective terms and conditions of the Convertible Bonds 1 and Convertible Bonds 2 (the "Automatic Conversion").

The Company conducted a share subdivision (the "Share Subdivision") as disclosed in the Company's circular dated 28 February 2014 and announcement dated 24 March 2014. Hence, the conversion price of both Convertible Bonds 1 and the Convertible Bonds 2 has been adjusted from HK\$2.37 per share to HK\$0.237 per Share (the "Adjusted Conversion Price"). Also, the Automatic Conversion Price has been adjusted from HK\$3.2 per Share to HK\$0.32 per Subdivided share as confirmed by the auditors of the Company. The average closing price per share for 10 consecutive trading days up to and including 19 May 2015 is HK\$0.321, which is above the adjusted Automatic Conversion Price of HK\$0.320 and thus, the holders of the Convertible Bond 1 and Convertible Bond 2 were deemed to have exercised their rights to convert all outstanding convertible bonds. As a result, the Company allotted and issued a total of 234,177,203 shares and 65,822,781 shares to the holders of the Convertible Bond 1 and the Convertible Bond 2 respectively.

Fundraising Activities *(Continued)*

Reference is also made to the announcements dated 7 May 2014, 14 May 2014 and 28 May 2014 respectively in relation to the placing of the convertible bonds of an aggregate principal amount of HK\$22.1 million with the maturity date of 27 November 2015 (the "Convertible Bonds 3").

On 3 June 2015 and 25 June 2015, on application by the holders of the Convertible Bonds 3, the Company allotted and issued 48,101,262 and 45,147,676 shares to the holders of the Convertible Bonds 3 respectively.

The Group effected 3 private subscription of promissory notes with a term of 3 and 7 years at an annual interest flat rate of 7% and 8% respectively during the Interim Period. The aggregate proceeds raised from such subscription of promissory notes amounted to HK\$21 million, where such fund has been used as general working capital of the Group. All the subscribers are, to the best knowledge and belief of the Directors, independent third parties.

Employees' Remuneration Policy

As at 30 September 2015, the Group employed 315 (31 March 2015: 343) full time employees mainly in the PRC and Hong Kong. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and the individual's qualifications and performance. Employee benefits include the mandatory provident fund scheme for Hong Kong employees and central pension schemes operated by the local municipal governments for employees in the PRC. The Group also provides training programs for its employees to equip themselves with the requisite skills and knowledge and offers a share option scheme to recognize the employees who make significant contributions to the Group.

During the Interim Period, no share options (31 March 2015: approximately 1,201,740,000 share options, after share subdivision) were granted to eligible participants under the share option scheme of the Company.

Total staff costs (including Directors' remuneration) for the Interim Period amounted to approximately HK\$19.4 million (31 March 2015: approximately HK\$45.20 million).

Liquidity, Financial Resources and Capital Structure

As at 30 September 2015, the indebtedness of the Group was approximately HK\$97.5 million (31 March 2015: approximately HK\$129.4 million). The borrowings are denominated in Hong Kong dollars. The Group had bank and cash balances of approximately HK\$68 million (31 March 2015: approximately HK\$100 million). The gearing ratio of the Group as at 30 September 2015, calculated as net debt divided by net debt and total capital, was approximately 28% (31 March 2015: approximately 33%).

As at 30 September 2015, the types of capital instruments used include promissory notes, convertible bonds, trust receipt loans and bank borrowings. During the six months ended 30 September 2015, promissory notes were issued by the Group with principal amount of HK\$21 million. The promissory notes bear interest that ranges from 7% to 10% per annum and have the maturity date ranges from one year to seven years from the date of issuance of promissory notes. The principal amount of the promissory notes is denominated in Hong Kong dollars. On 28 May 2014 and 21 July 2014, the Group issued unsecured convertible bonds with principal amount of HK\$22.1 million (the "CB1") and HK\$20.6 million (the "CB2") respectively. The maturity dates of CB1 and CB2 are in November 2015 and January 2016 respectively. CB1 and CB2 are interest-bearing at 12.5% per annum. The convertible bonds are denominated in Hong Kong dollars.

As at 30 September 2015, borrowings of HK\$3.0 million (31 March 2015: HK\$2.4 million) were arranged at floating rates and exposed the Group to cash flow interest rate risk. As at 30 September 2015, the Group had banking facilities of HK\$7.3 million (31 March 2015: HK\$7.3 million) of which HK\$6.8 million (31 March 2015: HK\$2.4 million) were utilised. The carrying amounts of the Group's borrowings are denominated in Hong Kong dollars. The Group's borrowings are repayable within one year for the period ended 30 September 2015.

Details of the maturity profile of the borrowings of the Group are set out in note 20 to the unaudited condensed consolidated financial statements.

As at 30 September 2015, the Group's trade receivables was approximately HK\$14.50 million (31 March 2015: approximately HK\$18.60 million), representing approximately 21.6% (31 March 2015: approximately 23.4%) of the Group's turnover of approximately HK\$67 million (31 March 2015: approximately HK\$79.60 million) for the Interim Period. The Group adopted a stringent credit policy to minimize credit risk.

As at 30 September 2015, the ratio of current assets to current liabilities of the Group was approximately 1.31 (31 March 2015: approximately 2.59).

No capital commitments of unaudited condensed consolidated interim financial statements of the Group as at 30 September 2015.

Exposure to Foreign Exchange Risk

The Group operates mainly in Hong Kong and the PRC and is exposed to minimal foreign exchange risks arising from various currency exposures, primarily with respect to the Renminbi (“RMB”) and United States dollar (“US\$”). The Group mitigates these risks by maintaining HK\$, US\$ and RMB bank accounts to pay for the transactions denominated in these currencies respectively. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Pledge of Assets

As at 30 September 2015, the Group’s following assets are pledged to secure its bank borrowings:

- (a) The Group’s leasehold land and buildings with an aggregate carrying value of approximately HK\$4.1 million (31 March 2015: approximately HK\$4.1 million); and
- (b) The bank borrowings were also secured by corporate guarantees provided by the Company.

Significant Investment and Disposals

Save as disclosed note 7, the Group had no other significant investments and disposals, nor has it made any material acquisition or disposal of the Group’s subsidiaries or affiliated companies during the Interim Period.

Contingent Liabilities and Capital Commitment

The Group had no significant contingent liabilities and capital commitment at 30 September 2015 (31 March 2015: HK\$Nil).

Segment Information

Details of the segment information are set out in note 4 to the unaudited condensed consolidated interim financial statements.

INDEPENDENT REVIEW REPORT



開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

TO THE BOARD OF DIRECTORS OF CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 19 to 45 which comprises the condensed consolidated statement of financial position of the Company as at 30 September 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Elite Partners CPA Limited

Certified Public Accountants

Yip Kai Yin

Practising Certificate Number: P05131

Hong Kong, 10 November 2015

Suites 2B-4A, 20th Floor,
Tower 5, China Hong Kong City
33 Canton Road,
Tsimshatsui, Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Notes	Three months ended 30 September		Six months ended 30 September	
		2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)	2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
Turnover	5	45,816,995	19,180,831	67,013,299	42,693,669
Cost of sales		(43,118,535)	(15,656,541)	(60,203,070)	(35,022,829)
Gross profit		2,698,460	3,524,290	6,810,229	7,670,840
Other income	6	3,703,342	17,051,116	8,834,067	17,259,474
Selling expenses		(2,297,587)	(1,383,962)	(3,523,164)	(2,825,527)
Administrative expenses		(26,188,982)	(81,844,407)	(54,164,165)	(105,535,955)
Loss from operations		(22,084,767)	(62,652,963)	(42,043,033)	(83,431,168)
Gain on disposal of a subsidiary	7	1,849,419	–	1,849,419	–
Finance costs	8	(3,060,290)	(3,611,890)	(6,623,487)	(8,322,826)
Loss before tax		(23,295,638)	(66,264,853)	(46,817,101)	(91,753,994)
Income tax credit	9	1,501,987	1,375,932	2,901,807	2,744,140
Loss for the period	10	(21,793,651)	(64,888,921)	(43,915,294)	(89,009,854)
Other comprehensive expenses, net of tax:					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		(2,732,116)	(488,833)	(3,384,636)	(481,038)
Total comprehensive expenses for the period		(24,525,767)	(65,377,754)	(47,299,930)	(89,490,892)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 September 2015

	Notes	Three months ended 30 September		Six months ended 30 September	
		2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)	2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
Loss for the period attributable to:					
Owners of the Company		(21,653,671)	(64,838,190)	(43,029,634)	(88,906,486)
Non-controlling interests		(139,980)	(50,731)	(885,660)	(103,368)
		(21,793,651)	(64,888,921)	(43,915,294)	(89,009,854)
Total comprehensive expenses for the period attributable to:					
Owners of the Company		(23,644,282)	(65,327,023)	(45,284,642)	(89,387,524)
Non-controlling interests		(881,485)	(50,731)	(2,015,288)	(103,368)
		(24,525,767)	(65,377,754)	(47,299,930)	(89,490,892)
Loss per share (HK\$ cents)					
Basic	12(a)	(0.23)	(0.88)	(0.46)	(1.21)
Diluted	12(b)	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	Notes	30 September 2015 HK\$ (Unaudited)	31 March 2015 HK\$ (Audited)
Non-current assets			
Property, plant and equipment	13	28,435,599	23,340,575
Goodwill		91,489,805	91,489,805
Intangible assets		56,860,300	68,624,500
Deposits paid for acquisition of subsidiaries	14	47,000,000	47,000,000
		223,785,704	230,454,880
Current assets			
Inventories		7,569,100	8,283,879
Trade and other receivables	15	95,890,781	59,012,324
Contingent consideration receivables		42,000,000	42,000,000
Derivative components of convertible bonds		3,170,961	10,159,599
Bank and cash balances	16	68,062,410	100,034,797
		216,693,252	219,490,599
Current liabilities			
Trade and other payables	17	61,260,895	29,716,839
Obligation under finance lease		1,281,364	1,180,644
Due to a director		422,162	582,238
Promissory notes	18	39,777,577	31,687,292
Convertible bonds	19	1,315,971	13,314,343
Borrowings	20	2,988,518	2,364,305
Current tax liabilities		6,014,158	6,012,995
		113,060,645	84,858,656
Net current assets		103,632,607	134,631,943
Total assets less current liabilities		327,418,311	365,086,823

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 September 2015

	Notes	30 September 2015 HK\$ (Unaudited)	31 March 2015 HK\$ (Audited)
Non-current liabilities			
Obligation under finance lease		1,768,195	2,451,183
Promissory notes	18	53,432,048	82,062,657
Deferred tax liabilities		15,188,769	18,129,819
		70,389,012	102,643,659
NET ASSETS		257,029,299	262,443,164
Capital and reserves			
Share capital	21	965,652	877,240
Reserves		261,091,563	264,578,552
Equity attributable to owners of the Company		262,057,215	265,455,792
Non-controlling interests		(5,027,916)	(3,012,628)
TOTAL EQUITY		257,029,299	262,443,164

Approved and signed by the Board on 10 November 2015.

Zou Donghai
Chairman and Executive Director

Ho Chun Kit, Gregory
Executive Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to owners of the Company									
	Share capital HK\$	Share premium HK\$	Statutory reserve HK\$	Foreign currency translation reserve HK\$	Share-based capital reserve HK\$	Convertible bonds equity reserve HK\$	Accumulated losses HK\$	Total HK\$	Non-controlling interests HK\$	Total equity HK\$
At 1 April 2014 (Audited)	726,450	147,589,826	3,225,270	293,989	46,448,000	85,831,422	(61,600,122)	222,514,835	(72,206)	222,442,629
Total comprehensive expenses for the period	-	-	-	(481,038)	-	-	(88,906,486)	(89,387,524)	(103,368)	(89,490,892)
Issue of shares upon placing, net of share issuance expenses	145,290	141,500,837	-	-	-	-	-	141,646,127	-	141,646,127
Recognition of equity-settled share-based payments	-	-	-	-	24,467,798	-	-	24,467,798	-	24,467,798
Share option forfeited/lapsed	-	-	-	-	(31,973,250)	-	31,973,250	-	-	-
Recognition of equity component of convertible bonds	-	-	-	-	-	49,267,228	-	49,267,228	-	49,267,228
Changes in equity for the period	145,290	141,500,837	-	(481,038)	(7,505,452)	49,267,228	(56,933,236)	125,993,629	(103,368)	125,890,261
At 30 September 2014 (Unaudited)	871,740	289,090,663	3,225,270	(187,049)	38,942,548	135,098,650	(118,533,358)	348,508,464	(175,574)	348,332,890
At 1 April 2015 (Audited)	877,240	295,300,163	3,382,323	283,377	82,156,598	126,620,791	(243,164,700)	265,455,792	(3,012,628)	262,443,164
Total comprehensive expenses for the period	-	-	-	(2,255,008)	-	-	(43,029,634)	(45,284,642)	(2,015,288)	(47,299,930)
Exercise of share based payments	49,087	72,170,476	-	-	(26,663,508)	-	-	45,556,055	-	45,556,055
Exercise of convertible bonds	39,325	103,131,829	-	-	-	(106,841,144)	-	(3,669,990)	-	(3,669,990)
Changes in equity for the period	88,412	175,302,305	-	(2,255,008)	(26,663,508)	(106,841,144)	(43,029,634)	(3,398,577)	(2,015,288)	(5,413,865)
At 30 September 2015 (Unaudited)	965,652	470,602,468	3,382,323	(1,971,631)	55,493,090	19,779,647	(286,194,334)	262,057,215	(5,027,916)	257,029,299

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Notes	Six months ended 30 September	
		2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(49,590,124)	(54,940,261)
Deposits paid for acquisition of subsidiaries		–	(8,000,000)
Purchases of property, plant and equipment		(11,840,627)	(3,121,687)
Proceeds from disposals of property, plant and equipment		3,875,000	–
Proceeds from disposal of a subsidiary	7	1,500,000	–
Placement of fixed deposits with bank with maturity over three months		–	(20,213,320)
Other investing cash flows (net)		–	(5,289,722)
NET CASH USED IN INVESTING ACTIVITIES		(6,465,627)	(36,624,729)
Proceeds from borrowings		4,395,737	9,160,524
Repayment of bank borrowings		(3,771,524)	(6,799,629)
Proceeds from issue of promissory notes		21,000,000	70,200,000
Proceeds from issue of convertible bonds		–	42,273,000
Repayment of promissory notes		(39,130,000)	(79,545,260)
Repayment of finance lease		(582,268)	–
Net proceeds from issue of shares		–	141,646,127
Exercise of share options		45,556,055	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		27,468,000	176,934,762
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(28,587,751)	85,369,772
Effect of foreign exchange rate changes		(3,384,636)	(539,122)
CASH AND CASH EQUIVALENTS AT 1 APRIL		100,034,797	91,155,559
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	16	68,062,410	175,986,209

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of China Oil Gangran Energy Group Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2015 (the “Interim Financial Report”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA and the applicable disclosure requirements of the GEM Listing Rules of the Stock Exchange.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2015 (the “2015 Annual Financial Statements”).

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2015 Annual Financial Statements, except for the adoption of the new, amended or revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which collectively include all applicable individual Hong Kong Financial Reporting Standard (“HKFRS”), Hong Kong Accounting Standard (“HKAS”) and Interpretation issued by the HKICPA) as disclosed in Note 2 to the Interim Financial Report.

The Interim Financial Report is unaudited but has been reviewed by Elite Partners CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2015. HKFRSs comprise HKFRS; HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy

	Fair value measurements as at 30 September 2015 using Level 3 HK\$ (Unaudited)
Recurring fair value measurements:	
Derivative component of convertible bonds	3,170,961
Total recurring fair value measurements	3,170,961

3. FAIR VALUE MEASUREMENT (Continued)

(a) Disclosures of level in fair value hierarchy (Continued)

	Fair value measurements as at 31 March 2015 using Level 3 HK\$ (Audited)
<hr/>	
Recurring fair value measurements:	
Derivative component of convertible bonds	10,159,599
<hr/>	
Total recurring fair value measurements	10,159,599
<hr/>	

There were no transfer within Levels 1, 2 and 3 during the period.

(b) Reconciliation of assets measured at fair value based on level 3

	Derivative component of convertible bonds HK\$
<hr/>	
At 1 April 2015 (Audited)	10,159,599
Conversion of convertible bonds	(6,988,638)
<hr/>	
At 30 September 2015 (Unaudited)	3,170,961
<hr/>	

3. FAIR VALUE MEASUREMENT *(Continued)*

(b) Reconciliation of assets measured at fair value based on Level 3 *(Continued)*

	Contingent consideration receivables <i>HK\$</i>	Derivative component of convertible bonds <i>HK\$</i>
At 1 April 2014 (Audited)	4,669,000	26,683,000
Total gains or losses recognised in consolidated profit or loss ^(#)	37,331,000	(16,523,401)
At 31 March 2015 (Audited)	42,000,000	10,159,599
^(#) Include gain or losses for financial assets held at end of reporting period	37,331,000	(16,523,401)

The total fair value gain or losses recognised in condensed consolidated profit or loss including those for assets held at end of reporting period are presented in other income and administrative expenses respectively in the condensed consolidated statement of profit or loss and other comprehensive income.

3. FAIR VALUE MEASUREMENT (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September and 31 March 2015

For Level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 30 September 2015 HK\$ (Unaudited)
Derivative component of convertible bonds	Binomial Option Pricing Model	Dividend yield	0%	Increase	
		Expected volatility	66.927%	Decrease	
		Yield spread	3.88%	Decrease	3,170,961
Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 31 March 2015 HK\$ (Audited)
Derivative component of convertible bonds	Binomial Option Pricing Model	Dividend yield	0%	Increase	
		Expected volatility	66.927%	Decrease	
		Yield spread	3.88%	Decrease	10,159,599

There were no changes in valuation techniques during the period.

4. SEGMENT INFORMATION

The Group's reportable segments are determined as follows:

1. Nature gas and clean energy business – engages in development and sales of refined oil, liquefied natural gas, compressed natural gas and related clean energy business.
2. Digital application business – engages in activities relating to the provision of programming services, web services, mobile marketing solutions and development of mobile phone games.
3. Power and data cords business – engages in sales and manufacture of power cords and inlet sockets for household electric appliances and power and data cords for mobile handsets and medical control devices and raw cables.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in the Group's financial statements.

Information about reportable segment profit or loss, assets and liabilities:

	Nature gas and clean energy business <i>HK\$</i> (Unaudited)	Digital application business <i>HK\$</i> (Unaudited)	Power and data cords business <i>HK\$</i> (Unaudited)	Total <i>HK\$</i> (Unaudited)
Six months ended 30 September 2015				
Turnover from external customers	30,831,454	–	36,181,845	67,013,299
Segment loss	(2,515,787)	(10,576,013)	(11,658,024)	(24,749,824)
At 30 September 2015				
Segment assets	127,913,502	190,483,440	85,096,076	403,493,018
Segment liabilities	27,487,929	21,434,311	26,581,294	75,503,534
Six months ended 30 September 2014				
Turnover from external customers	–	1,171	42,692,498	42,693,669
Segment profit/(loss)	(3,087,910)	3,516,424	(17,932,215)	(17,503,701)
At 31 March 2015				
	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	107,102,498	202,531,135	60,566,877	370,200,510
Segment liabilities	1,000,513	23,007,716	27,308,716	51,316,945

4. SEGMENT INFORMATION (Continued)

	Six months ended	
	30 September	
	2015	2014
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Reconciliation of segment results:		
Total loss of reportable segments	(24,749,824)	(17,503,701)
Unallocated amounts:		
Other income (except for fair value gain on contingent consideration receivables)	8,834,068	3,413,371
Corporate expenses	(23,225,470)	(66,596,698)
Gain on disposal of a subsidiary	1,849,419	–
Finance costs	(6,623,487)	(8,322,826)
Consolidated loss for the period	(43,915,294)	(89,009,854)

5. TURNOVER

The Group's turnover for the six months ended 30 September 2015 and 2014 represented the following:

	Six months ended	
	30 September	
	2015	2014
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Sales of power and data cords and inlets sockets	36,181,845	42,692,498
Income from mobile commerce	–	1,171
Sales of refined oil	30,831,454	–
	67,013,299	42,693,669

6. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	4,311	595,659	144,927	623,531
Net foreign exchange gain	44,210	154,149	44,210	313,545
Sundry income	141,121	35,297	338,351	56,387
Imputed interest income arising from issuance of promissory notes	794,851	2,419,908	1,134,071	2,419,908
Fair value gain on contingent consideration receivables	–	13,846,103	–	13,846,103
Gain on early redemption of promissory notes	–	–	296,053	–
Gain on disposal of property, plant and equipment	2,718,849	–	2,718,849	–
Reversal of impairment of trade receivables	–	–	4,157,606	–
	3,703,342	17,051,116	8,834,067	17,259,474

7. GAIN ON DISPOSAL OF A SUBSIDIARY

On 15 July 2015, Brave Lead international Limited (“Brave Lead”), a wholly-owned subsidiary of the Company, and MK Investments Limited (“Purchaser”) have entered into a sale and purchase agreement, pursuant to which Brave Lead has agreed to dispose the entire interest of its wholly owned subsidiary, Forever Ascent Limited (“Forever Ascent”) at a cash consideration of HK\$1,500,000 (the “Disposal”). During the six months ended 30 September 2015, the Disposal has been completed and all the precedent conditions to the Disposal were fulfilled.

Net liabilities at the date of the Disposal were as follows:

	HK\$
	(Unaudited)
Amount due to a shareholder	(904,253)
Property, plant and equipment	554,834
Net liabilities disposed of	(349,419)
Gain on disposal of a subsidiary	1,849,419
Total consideration	1,500,000
Net cash inflow arising on the Disposal:	
Cash consideration received	1,500,000

8. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)	2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
Interest on bank borrowings	1,719	3,760	3,957	5,140
Interest on trust receipt loans	32,110	72,199	60,150	140,270
Effective interest expenses on convertible bonds wholly repayable within five years	77,343	656,410	462,811	1,103,011
Interest expenses on promissory notes – wholly repayable within five years	1,474,849	2,043,081	2,513,202	3,965,457
– not wholly repayable within five years	1,429,740	836,440	3,489,598	3,108,948
Interest on obligation under finance leases	44,529	–	93,769	–
	3,060,290	3,611,890	6,623,487	8,322,826

9. INCOME TAX CREDIT

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)	2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
Current tax – Hong Kong Profits Tax Provision for the period	–	27,271	1,163	49,223
Current tax – PRC Enterprise Income Tax Provision for the period	–	67,322	38,080	147,687
Over provision in respect of prior periods	(31,462)	–	–	–
	(31,462)	94,593	39,243	196,910
Deferred tax	(1,470,525)	(1,470,525)	(2,941,050)	(2,941,050)
	(1,501,987)	(1,375,932)	(2,901,807)	(2,744,140)

9. INCOME TAX CREDIT (Continued)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the period.

Tax charge on assessable profits elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to the Enterprise Income Tax rules and regulations of the PRC, the PRC subsidiaries of the Group are subject to Enterprise Income Tax at a rate of 25%, except for Sun Fair Electric Wire & Cable (Shenzhen) Company Limited is entitled to a preferential tax rate of 15% for the three years since 2012 for being a high technology enterprise.

10. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting):

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)	2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
Amortisation for contractual right	5,882,100	5,882,100	11,764,200	11,764,200
Depreciation	3,647,921	1,765,225	5,532,774	3,380,868
(Gain)/Loss on disposals of property, plant and equipment	(2,718,849)	9,218	(2,718,849)	9,218
Fair value loss on derivative components of convertible bonds	–	21,875,830	–	21,875,830
Impairment loss on property, plant and equipment	–	12,285,378	–	12,285,378
Directors' emoluments	1,290,000	654,961	2,929,422	1,562,061
Allowance on inventories	–	1,886,046	–	1,886,046
Reversal of impairment of trade receivables	–	–	(4,157,606)	–

11. DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$21,653,671 (2014: HK\$64,838,190) by the weighted average number of ordinary shares of 9,548,168,308 (2014: 7,375,046,739) in issue for the three months ended 30 September 2015. Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$43,029,634 (2014: HK\$88,906,486) by the weighted average number of ordinary shares of 9,298,371,356 (2014: 7,320,075,410 as adjusted to reflect share subdivision on 24 March 2015) in issue for the six months ended 30 September 2015.

(b) Diluted loss per share

No diluted loss per share is presented as the share options and convertible bonds have anti-dilutive effects on basic loss per share for the three and six months ended 30 September 2015.

For the three and six months ended 30 September 2014, no diluted loss per share is presented as the Company did not have any potential dilutive ordinary shares outstanding.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired property, plant and equipment of approximately HK\$11.8 million (six months ended 30 September 2014: HK\$5 million).

14. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

(a) Jian Long Da Holdings Limited

On 10 January 2014, the Company and Mr. Wu Zhi Qiang (“Mr. Wu”) entered into a non-legally binding memorandum of understanding (the “First MOU”) in relation to a proposed acquisition (the “Proposed Acquisition”) of the entire issued share capital of Jian Long Da Holdings Limited (the “First Target Company”) from Mr. Wu. The First Target Company is incorporated in Hong Kong and has signed a framework agreement with the People’s Government of Wangdu City (the “Wangdu Government”). Pursuant to the framework agreement, the First Target Company shall set up a project company in the PRC and the Wangdu Government shall grant the project company the exclusive right to construct and operate the centralised heating facilities in Wangdu City for a term of 30 years. The First MOU had expired on 9 October 2014. The deposit of HK\$15 million is non-interest bearing, secured by the entire issued share capital of the First Target Company and refundable in the event that the Proposed Acquisition is terminated or upon the expiry of the First MOU.

14. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) **Jian Long Da Holdings Limited** *(Continued)*

On 9 October 2014, the Company and Mr. Wu has entered into a supplemental MOU ("First Supplemental MOU") to extend the exclusivity period for three months; subsequently, on 20 January 2015, 9 April 2015 and 31 July 2015 respectively, the Company and Mr. Wu has further extend the exclusivity period for three months pursuant to the supplemental MOUs, in addition to the First Supplemental MOU.

During the interim period, the Company and Mr. Wu has reached a preliminary understanding to refund the full deposit of HK\$15,000,000 and to enter into a termination agreement to terminate the MOUs.

(b) **Sino Grandway International Investment Limited**

On 7 August 2014, the Company and Sino Grandway International Investment Limited (the "Second Target Company") entered into a non-legally binding memorandum of understanding (the "Second MOU") in relation to a proposed investment (the "Proposed Investment") in the Second Target Company. The Second Target Company is an investment holding company incorporated in Hong Kong and its issued share capital is equally held by two independent third parties.

Pursuant to the Second MOU, the Second Target Company will enter into a sale and purchase agreement with one of the shareholders of the Second Target Company (the "Target Shareholder") to acquire the entire equity interest of Luo Yang Chen Xi Mining Company Limited (the "Chen Xi Mining"). Chen Xi Mining is a PRC established company which is wholly owned by the Target Shareholder and principally engaged in the mining and sales of quartz stone and the production of float glass.

Up to 30 September 2015, the Company has paid an earnest money of HK\$8,000,000 (the "Deposit") to the Target Shareholder in accordance with the term of Second MOU. The First Deposit is non-interest bearing, secured by a first-fixed charge over the entire issued share capital of the Second Target Company and is refundable in the event that (i) the Company is in its absolute discretion not satisfied with the results of the DD Review; (ii) the Company is satisfied with the results of the DD Review but the Second Target Company rejects or fails to enter into the formal agreement; (iii) the relevant parties fail to enter into the formal agreement during the period from 7 August 2014 to 6 May 2015; or (iv) by agreement of the parties to the Second MOU.

On 16 October 2015, the Company has completed its due diligence in relation to the Proposed Investment and is in negotiation on the commercial terms with the Second Target Company. Detail of the Proposed Investment is set out in the Company's announcement dated 16 October 2015.

15. TRADE AND OTHER RECEIVABLES

The majority of the Group's sales are on credit terms up to 120 days from the end of the month of invoice. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables based on the due date of invoice are as follows:

	30 September 2015 HK\$ (Unaudited)	31 March 2015 HK\$ (Audited)
Not yet due	11,594,731	14,430,675
1 – 30 days past due	1,834,419	2,227,110
31 – 60 days past due	1,040,121	–
61 – 90 days past due	–	320,041
91 – 180 days past due	–	1,693,004
	14,469,271	18,670,830

16. BANK AND CASH BALANCES

The Group's bank and cash balances comprise the following:

	30 September 2015 HK\$ (Unaudited)	31 March 2015 HK\$ (Audited)
Denominated in:		
Hong Kong Dollars ("HK\$")	62,173,871	86,191,415
Renminbi ("RMB")	2,620,526	9,714,922
United States Dollars ("US\$")	3,265,990	4,128,460
Others	2,023	–
	68,062,410	100,034,797

17. TRADE AND OTHER PAYABLES

The Group normally obtains credit terms ranging from 30 days to 120 days from its suppliers. The aging analysis of trade payables based on the due date is as follows:

	30 September 2015 HK\$ (Unaudited)	31 March 2015 HK\$ (Audited)
Not yet due	5,758,777	8,395,721
1 – 30 days past due	2,101,313	63,068
31 – 60 days past due	100,665	24,144
61 – 90 days past due	109,068	4,958
91 – 180 days past due	12,553	8,357
	8,082,376	8,496,248

18. PROMISSORY NOTES

	30 September 2015 HK\$ (Unaudited)	31 March 2015 HK\$ (Audited)
Current	39,777,577	31,687,292
Non-current	53,432,048	82,062,657
	93,209,625	113,749,949

Movements in promissory notes is analysed as follows:

	30 September 2015 HK\$ (Unaudited)	30 September 2014 HK\$ (Unaudited)
At beginning of the period	113,749,949	99,757,479
Issue at fair value during the period	19,865,929	67,780,092
Imputed interest charged	6,002,800	7,074,405
Interest paid and payables	(6,983,000)	(4,020,240)
Repayment of promissory notes	(39,130,000)	(79,545,260)
(Profit)/loss on early redemption	(296,053)	1,995,016
At end of the period	93,209,625	93,041,492

18. PROMISSORY NOTES *(Continued)*

During the six months ended 30 September 2015, promissory notes with aggregate principal amount of HK\$21,000,000 (six months ended 30 September 2014: HK\$70,200,000) were issued by the Company. The promissory notes are unsecured, bearing interest at rates from 7% per annum to 8% per annum (six months ended 30 September 2014: 7% per annum to 10% per annum) and whose maturity dates are ranging from 3 years to 7 years (six months ended 30 September 2014: 1 year to 7 years) from the dates of issue. The effective interest rates of the promissory notes are ranging from 8.616% per annum to 21.114% per annum (six months ended 30 September 2014: 8.80% per annum to 17.02% per annum). The proceeds from the issuance of promissory notes has been used as general working capital of the Group.

The principal amount of the promissory notes is denominated in Hong Kong dollars.

19. CONVERTIBLE BONDS

On 24 January 2014, 20 March 2014, 28 May 2014 and 21 July 2014, the Company issued unsecured convertible bonds with principal amount of HK\$55,500,000 (the "CB1"), HK\$15,600,000 (the "CB2"), HK\$22,100,000 (the "CB3") and HK\$20,600,000 (the "CB4") respectively. The maturity dates of CB1, CB2, CB3 and CB4 are 23 July 2015, 19 September 2015, 27 November 2015 and 20 January 2016 respectively. CB1, CB2, CB3 and CB4 are interest-bearing at 12.5% per annum and payable in arrears at first anniversary and upon its maturity dates. The bond holders of CB1, CB2, CB3 and CB4 have the rights to convert the bonds into ordinary shares of the Company at any time on the business day after the 12 months from the date of issuance of the bonds until the maturity date at the initial conversion price of HK\$2.37 (the "Conversion Price"), subject to anti-dilutive protection adjustments. The Conversion Price was adjusted to HK\$0.237 per share due to subdivision of every 1 ordinary share of HK\$0.001 each in the share capital of the Company into 10 new ordinary shares of HK\$0.0001 each on 25 March 2014.

CB1, CB2, CB3 and CB4 contain three components, a redemption call, a liability and an equity component. The equity component is presented in equity as part of the "convertible bonds equity reserves". The effective interest rate of the liability component for the CB1, CB2, CB3 and CB4 are 13.33% per annum, 13.30% per annum, 12.83% per annum and 18.70% per annum respectively. The redemption call is measured at fair value and recorded as derivative financial instruments under "Derivative components of convertible bonds" in the consolidated statement of financial position, with any changes in fair value being charged or credited to the consolidated profit or loss and other comprehensive income in the year when change occurs.

On 19 May 2015, pursuant to the respective terms and conditions of the CB1 and CB2, the holders of the CB1 and CB2 have exercised their rights to convert all outstanding convertible bonds and such convertible bonds were automatically converted into conversion shares at the Conversion Price which is subject to adjustment in accordance with the respective terms and conditions of the CB1 and CB2 (the "Automatic Conversion").

19. CONVERTIBLE BONDS (Continued)

On 3 June 2015 and 25 June 2015, pursuant to the respective terms and conditions of the CB3, the holders of the CB3 have exercised their rights to convert all outstanding convertible bonds and such convertible bonds were voluntarily converted into conversion shares at the Conversion Price which is subject to adjustment in accordance with the respective terms and conditions of CB3 (the "Voluntary Conversion").

The movement of the derivative component of convertible bonds, liabilities and equity component was as follows:

	30 September 2015 HK\$ (Unaudited)	31 March 2015 HK\$ (Audited)
Liabilities component:		
At beginning of the period/year	13,314,343	11,609,665
Proceeds from issue	–	42,273,000
Equity component	–	(35,507,205)
Liability component recognised	13,314,343	18,375,460
Imputed interests charged	462,811	2,576,383
Interest paid and payables	(9,142,534)	(7,637,500)
Conversion into shares	(3,318,649)	–
At end of the period/year	1,315,971	13,314,343
Derivative component:		
At beginning of the period/year	10,159,599	26,683,000
Initial recognition	–	5,282,164
Fair value change	–	(21,805,565)
Conversion into shares	(6,988,638)	–
At end of the period/year	3,170,961	10,159,599

20. BORROWINGS

	30 September 2015 HK\$ (Unaudited)	31 March 2015 HK\$ (Audited)
Trust receipt loans	2,820,702	2,070,246
Bank borrowings	167,816	294,059
	2,988,518	2,364,305

The Group's borrowings are repayable within one year for the six months ended 30 September 2015 and the year ended 31 March 2015.

Movements in borrowings is analysed as follows:

	30 September 2015 HK\$ (Unaudited)	30 September 2014 HK\$ (Unaudited)
At beginning of the period	2,364,305	4,444,173
New borrowings raised	4,395,737	9,160,524
Repayment of borrowings	(3,771,524)	(6,799,629)
At end of the period	2,988,518	6,805,068

21. SHARE CAPITAL

	Number of shares	Amount HK\$
<i>Authorised:</i>		
Ordinary shares of HK\$0.0001 each		
At 1 April 2014, 31 March 2015, 1 April 2015 and 30 September 2015	10,000,000,000	1,000,000

	Notes	Number of shares	Amount HK\$
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.0001 each			
At 1 April 2014 (Audited)		7,264,500,000	726,450
Issue of shares by placement		1,452,900,000	145,290
Issue of shares by share option scheme		55,000,000	5,500
At 31 March 2015 and 1 April 2015 (Audited)		8,772,400,000	877,240
Issue of shares by share option scheme	(a)	490,870,000	49,087
Issue of shares by exercising of convertible bonds	(b)	393,248,922	39,325
At 30 September 2015 (Unaudited)		9,656,518,922	965,652

21. SHARE CAPITAL *(Continued)*

Note:

- (a) During the six months ended 30 September 2015, the Company issued 479,870,000 and 11,000,000 new ordinary shares at a subscription price of HK\$0.092 and 0.128 per share respectively, for exercising the share option for a total cash consideration of HK\$45,556,055.
- (b) During the six months ended 30 September 2015, the Company issued 393,248,922 new ordinary shares at subscription price of HK\$0.237 per share for exercising of convertible bonds.

22. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose to attract, retain and motivate the eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 27 April 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-Executive directors. In addition, any share options granted to a substantial shareholder or an Independent Non-Executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

22. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

Details of the share options outstanding during the period are as follows:

	30 September 2015		30 September 2014	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at beginning of the period	1,366,740,000	0.11	550,000,000	0.20
Granted during the period	–	–	330,000,000	0.13
Exercised during the period	(490,870,000)	(0.09)	–	–
Forfeited/lapsed during the period	–	–	(330,000,000)	(0.22)
Outstanding and exercisable at the end of the period	875,870,000	0.06	550,000,000	0.15

The options outstanding at the end of the period have a weighted average remaining contractual life of 9.29 years (six months ended 30 September 2014: 9.6 years) and the exercise price range from HK\$0.08 to HK\$0.22 (six months ended 30 September 2014: from HK\$0.113 to HK\$0.218). The estimated fair values of the options granted on 14 July 2014 and 17 March 2015 are HK\$845,933 and HK\$25,817,574 respectively.

23. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 30 September	
	2015 HK\$ (unaudited)	2014 HK\$ (unaudited)
Waiver of interest expenses on promissory notes from a shareholder	–	2,020,191

24. CAPITAL COMMITMENTS

Save as disclosed elsewhere to the condensed financial statements, the Group has no other capital commitments as at 30 September 2015 (At 31 March 2015: Nil).

25. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 September 2015 (At 31 March 2015: Nil).

26. EVENTS AFTER THE REPORTING PERIOD

On 22 October 2015, the Company increased its authorised share capital from 10,000,000,000 ordinary shares of HK\$0.0001 each to 80,000,000,000 ordinary shares of HK\$0.0001 each, by the creation of an additional 70,000,000,000 ordinary shares of HK\$0.0001 each. The additional shares rank pari passu in all respects with the existing ordinary share upon issuance.

Further details of the increase in authorised share capital have been disclosed on the circulars of the Company dated 25 September 2015.

Save as disclosed above, there are no significant events took place subsequent to 30 September 2015.

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 10 November 2015.

OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE GEM LISTING RULES

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its Shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "CG Code").

During the Interim Period, the Company had complied with the code provisions in the CG Code with the exception of the CG Code provision A.5.1 and A.6.7. The CG Code provision A.5.1 requires that the nomination committee should be chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. As at the date of the interim report, Mr. Chan Lung Ming ("**Mr. Chan**") ceased to be the chairman of the Nomination Committee of the Company due to his other personal commitments and Ms. Eugenia Yang ("**Ms. Yang**"), an independent non-executive director of the Company, was re-designated from a member of the Nomination Committee to the chairman of the Nomination Committee. For details, please refer to the announcement dated 10 November 2015.

The CG Code provision A.6.7 requires that Independent Non-Executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Two Independent Non-Executive Directors attended annual general meeting held on 30 July 2015. The other Independent Non-Executive Directors were obliged to be away for their business matters. The Board has continued to monitor and review the corporate governance principles and practices to ensure compliance.

The Board has maintained a balance of skills and experiences appropriate for the requirements of the businesses of the Group. Its composition represents a mixture of management, accounts and finance, marketing, manufacturing and procurement with comprehensive experience in and exposure to diversified businesses. It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company.

Board Composition

As at the date of the Report, the Board comprises five Executive Directors and three Independent Non-Executive Directors. The Board has the necessary balance of skills and experience appropriate to the requirements of the business of the Company. There is a strong element of independence in the Board, which can effectively exercise independent judgment.

Executive Directors

Mr. Zou Donghai (*Chairman*)
Mr. Rong Changjun (*Vice Chairman*)
Mr. Zhang Xueming
Mr. Ho Chun Kit Gregory
Mr. Chan Lung Ming

Non-executive Director

Mr. Tse Yee Hin, Tony (resigned on 30 April 2015)

Independent Non-Executive Directors

Ms. Eugenia Yang
Mr. Ng Ka Chung
Mr. Lau Sung Tat, Vincent

The Board has established an audit committee, a remuneration committee and a nomination committee (collectively the “Committees”). The membership information of the Committees on which each Board member serves are set out below:

Audit Committee

Mr. Lau Sung Tat, Vincent (*Chairman*)
Ms. Eugenia Yang
Mr. Ng Ka Chung

Remuneration Committee

Mr. Lau Sung Tat, Vincent (*Chairman*)
Mr. Chan Lung Ming
Ms. Eugenia Yang

Nomination Committee

Ms. Eugenia Yang (*Chairman*) (re-designated on 10 November 2015)
Mr. Lau Sung Tat, Vincent
Mr. Chan Lung Ming

The Independent Non-Executive Directors have been identified in all corporate communications that disclose the names of Directors.

The Company has maintained on its website and on the GEM website an updated list of its Directors identifying their role and function and whether they are Independent Non-Executive Directors.

On 29 April 2015, the Company announced that Mr. Tse Yee Hin, Tony ("Mr. Tse") has tendered his resignation as a Non-Executive Director of the Company with effect from 30 April 2015, due to his other business engagements which require more of his time and dedication. Mr. Tse has confirmed that he has no disagreement with the Board.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon the specific enquiry made to all the Directors, the Company was not aware of any Non-compliance with the Model Code regarding securities transactions by Directors during the six months ended 30 September 2015.

Share option Scheme

The Company has a share option scheme (the "Scheme") which was adopted pursuant to a resolution of the sole Shareholder passed on 27 April 2011. The purpose of the Scheme is to attract, retain and motivate talented Participants (as defined below), to strive for future developments and expansion of the Group. The Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Group attained through their efforts and contributions.

The Scheme became effective on 27 April 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme. The terms of the Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

Eligible participants (the "Participants") of the Scheme include the following:

- a) any Executive or Non-Executive Director including any Independent Non-Executive Director or any employee (whether full-time or part-time) of any member of the Group;
- b) any adviser or consultant (in the areas of legal, technical, financial or corporate managerial) to the Group;

Share option Scheme (Continued)

- c) any provider of goods and/or services to the Group;
- d) any other person who the Board considers, in its sole discretion, has contributed to the Group; and
- e) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any of those of (a), (b), (c) and (d) above.

Particulars of the options to subscribe for Shares granted pursuant to the Share Option Scheme as at the Interim Period are set out below:

Grantee	Date of grant	Exercise price	Exercise period of share options	Outstanding as at 1 April 2015	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 September 2015	Market value per share immediately before the date of grant of options	Weighted average closing price per share immediately before the date of exercise of options	Approximate % of the Company's total issued share capital as at 30 September 2015
Executive Directors:											
Ho Chun Kit Gregory	17 March 2015	HK\$0.092	17 March 2015 – 16 March 2025	87,174,000	-	44,000,000	-	43,174,000	HK\$0.088	HK\$0.375	0.45%
Company Secretary:											
Fok Sing Yan Joyce	23 September 2014	HK\$0.155	23 September 2014 – 22 September 2024	55,000,000	-	-	-	55,000,000	HK\$0.17	-	0.57%
Other Categories:											
Consultants in aggregate	17 September 2013	HK\$0.218	17 September 2013 – 16 September 2023	55,000,000	-	-	-	55,000,000	HK\$1.90	-	0.57%
	10 October 2013	HK\$0.196	10 October 2013 – 9 October 2023	55,000,000	-	-	-	55,000,000	HK\$1.90	-	0.57%
	13 January 2014	HK\$0.157	13 January 2014 – 12 January 2024	110,000,000	-	-	-	110,000,000	HK\$1.54	-	1.14%
	14 July 2014	HK\$0.128	14 July 2014 – 13 July 2024	165,000,000	-	11,000,000	-	154,000,000	HK\$0.13	HK\$0.360	1.59%
	21 August 2014	HK\$0.113	21 August 2014 – 20 August 2024	55,000,000	-	-	-	55,000,000	HK\$0.12	-	0.57%
	16 February 2015	HK\$0.082	16 February 2015 – 15 February 2025	87,174,000	-	-	-	87,174,000	HK\$0.085	-	0.90%
	17 March 2015	HK\$0.092	17 March 2015 – 16 March 2025	697,392,000	-	435,870,000	-	261,522,000	HK\$0.088	HK\$0.271	2.71%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2015, the interest and short position of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571) (the "SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

Long Positions – Ordinary Shares

Interests in the Shares and underlying shares of the Company

Name of Director	Number of Shares	Derivatives		Total	Percentage of aggregate interests to the total number of Shares in issue
		Personal interests	Share Options		
Mr. Ho Chun Kit Gregory	34,000,000 <i>(Note 1)</i>	44,000,000 <i>(Note 2)</i>		77,174,000	0.80%

Notes:

- On 7 October 2015, Mr. Ho Chun Kit Gregory has sold 5,000,000 Shares.
- Further details of the above share options are set out in the section of "Share Option Scheme" above showing details of the options granted to subscribe for ordinary shares of the Company under the Company's share option scheme.

Save as disclosed above, as at 30 September 2015, none of the Directors or Chief Executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provision of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 30 September 2015, no entities or persons (not being a Director or Chief Executive of the following entities or persons (not being a Director or chief executive of the Company)) had an interest and short position of 5% or more in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which are required to be disclosed pursuant to section 336 of the SFO.

AUDIT COMMITTEE

The Company established an audit committee on 27 April 2011 with written terms of reference in compliance with rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee currently comprises three Independent Non-Executive Directors namely Mr. Lau Sung Tat, Vincent (Chairman), Ms. Eugenia Yang and Mr. Ng Ka Chung. The audit committee has reviewed the unaudited consolidated results of the Company for the Interim Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as the Escrow Shares disclosed above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the Interim Period.

INTEREST IN A COMPETING BUSINESS

During the six months ended 30 September 2015, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under GEM Listing Rules) had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Company or any other conflict of interest with the Company.

By order of the Board

Zou Donghai

Chairman and Executive Director

Hong Kong, 10 November 2015

As at the date of the Report, the Executive Directors are Mr. Zou Donghai, Mr. Rong Changjun, Mr. Zhang Xueming, Mr. Ho Chun Kit Gregory and Mr. Chan Lung Ming and the Independent Non-Executive Directors are Ms. Eugenia Yang, Mr. Ng Ka Chung and Mr. Lau Sung Tat, Vincent.